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7 May 1952

MEMORANDUM TO: Assistant Deputy Director (Administration-Special)
FROM: Chief, Administrative Staff (Special)
SUBJECT: Establishment of a Special Allowance Section

Background:

Agency regulations authorize various special allowances for personnel working overseas where the Standardized Government Civilian Allowances are deemed inadequate as to amount and/or scope.

Problem:

The various Agency officials charged with authority and responsibility for granting such special allowances have a continuing and pressing problem in determining what circumstances warrant these allowances and what criteria should be used in determining their proper amount and duration.

Yours:

1. In addition to the allowances and differentials granted under Standardized Government Civilian Regulations, CIA regulations authorize:

- (a) Agency classification of foreign posts for allowances purposes where such posts are not already classified by the Secretary of State. (CFR 6.1, a)
- (b) Special Living Allowances to meet extraordinary living expenses where necessary and justifiable. (Intended to compensate for increased living expenses necessitated by cover or other operational circumstances -- CFR 6.2)
- (c) Special Representation Allowances to maintain better quarters and higher standards of living required by duties having extraordinary representational responsibilities. (CFR 6.3, a)
- (d) Special Hardship Salary Differentials where conditions of cover or operational requirements subject the employee or agent to extreme personal hardship of the type defined by Foreign Service Post Differential Regulations. (CFR 6.4, a)

Regardless of the type or justification for such payments, the monetary amount thereof is directly related to economic and other conditions in the designated foreign locale.

2. The Agency does not have effective machinery for obtaining or utilizing needed data on local economic conditions and has no effective

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machinery for establishing the standards within which these allowances should be granted.

Recommendations:

1. That a small Special Allowance section be established in the Administrative Staff (Special) to:
 - (a) Develop criteria for granting special allowances;
 - (b) Assemble and collect from all available sources the data pertinent to determining the proper amount and duration of such allowances.
2. The Chief of this section be given responsibility for the continuing development of special allowance policies, standards and rates.
3. Maintain records of special allowances authorized, for the purpose of periodic review leading to their revision, continuation, or termination, as appropriate.

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Administrative Staff (Special)

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Discussion:

1. The following Agency officials are charged with responsibilities as indicated with regard to special allowances:

(a) The Personnel Director may, upon recommendation of the Assistant Director, "approve and provide in the employment contract a Special Hardship Salary Differential" (CFR 6.4, c.). He may, "in areas and places for which the Secretary of State has not prescribed foreign post allowances and post differentials ... upon recommendation of the Assistant Director concerned and with the concurrence of the Comptroller, prescribe foreign post allowances and post differentials in conformance, insofar as is practicable, with rates and standards used by the Secretary of State. The Personnel Director shall review periodically and at least annually all such rates and make any changes warranted." (CFR 6.4, c.(1)) He shall "under the Foreign Service Post Differential Regulations, make administrative determinations as to eligibility for post differential pay in special individual cases where such determinations are required." (CFR 6.4, c.(2)). "The Personnel Director may, upon recommendation of the appropriate Assistant Director, establish special or blanket provisions for application of the Foreign Service Post Differential Regulations for individuals, areas or activities where special operational or administrative conditions so require." (6.4, c.(3))

(b) The Special Contracting Officer may, upon recommendation of the Assistant Director, "approve and provide in the employment contract a Special Hardship Salary Differential." (CFR 6.4, c.). The Special Contracting Officer has the function "to ensure that all contracts conform with express and implied Agency and Operating Office administrative, operational and security policies." (CFR 9.3 b, (3)(d))

(c) Assistant Directors of Covert Offices "are authorized to approve special allowances ... necessary to meet extraordinary living expenses upon determining the necessity and justification for their payment." (CFR 6.2) Assistant Directors of Covert Offices are authorized to determine the necessity for and to authorize "representation allowances" under the policy stated in Agency regulations. (CFR 6.3, c.) Assistant Directors may recommend to the Personnel Director the granting of Special Hardship Salary Differential (CFR 6.4, c.) and special post and post differential allowances (CFR 6.4, c.) Assistant Directors further may recommend the establishment of "special or blanket provisions for application of the Foreign Service Post Differential Regulations for individuals, areas or activities where special operational or administrative conditions so require." (CFR 6.4, c.(3)) Assistant Directors may, to a member of the military who must appear as a bona fide member of his parent service, approve "a special allowance equivalent to the estimated difference between payments actually received from his parent service and those amounts which he actually and never-

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easily expended because of the circumstances of his assignment by CIA. (CFR 6.7, f.) In addition he may "grant special allowances or authorize reimbursement to military personnel to compensate them for unusual or extraordinary expenses incurred because of security or operational requirements made upon the individual by CIA." (CFR 6.7, f.)

(d) The Comptroller concurs in the recommendation of the Assistant Directors to prescribe foreign post allowances and post differentials in areas and places for which none have been prescribed by the Secretary of State. (CFR 6.4, 3.(1))

(e) The Chief, Finance Division "will periodically review the special living allowances which are authorized, with a view to recommending their continuance, adjustment, or termination." (CFR 6.2) He "will maintain appropriate records of the amounts expended for representation purposes by each foreign station and major operational activity, and render a report thereof through the Comptroller to the Deputy Director (Administration) at the end of each fiscal quarter, or oftener as required, for the information of the Director." (CFR 6.3 d.)

2. The process by which an official appraises the justification for a special allowance or differential involves the following:

(a) An evaluation of the "special-ness" of the circumstances under which the individual will be serving the Agency (on the bases of which the allowance or differential is proposed);

(b) An evaluation of economic and/or other conditions in the locale where the individual will be serving (on the bases of which the amounts of the monetary payments are determined);

(c) And, finally, an evaluation of the degree to which these elements warrant special treatment in comparison to other personnel.

There are certain minimum needs common to the process of granting each of these special allowances and differentials:

(a) There is a common need by all concerned for accurate comprehensive data on economic conditions in the locale under consideration. The amount of money granted in each allowance is directly related to economic conditions at the place where the employee or agent will be working. A similar type of need is that for accurate information on local environmental conditions when the special hardship salary differential is under consideration. The justification for such a differential cannot be appraised unless the appraiser has in his possession a reliable evaluation of environmental conditions at the designated post.

(b) There is a common need for distribution of current information on the standards which have been established for each special

allowances and differential. To properly administer such allowances and differentials, personnel in the initiating offices should have at their disposal the criteria for granting these special payments. They should be able to gauge at the very outset whether a request for a special allowance or differential seems valid and then, the probable likelihood of its being authorized by higher authority.

3. The Agency presently lacks effective machinery for meeting either of the needs outlined above:

(a) There is no consistency in the type, source, probable validity, and comprehensiveness of the data currently being used by Agency components as bases for establishing these special payments. This occurs primarily because there is no single point in the Agency where such data are available and there are no formalized channels through which it may be obtained. Allowances and differentials are derived from the application of fixed formulas to available data on conditions in the foreign locale. Components of the Operating offices are rarely equipped with either the kinds of data needed, or the specialized know-how to derive an accurate payment when the data are available.

(b) There are few published standards for the granting of special allowances and differentials, yet the size and complexity of the Agency is such that distribution of this information is vitally necessary in order to develop payments which are consistent and do not conflict with others. There is no effective Agency mechanism or channel through which these needed standards may be developed.

6. A small special allowance section as recommended above, would perform the functions which are now so lacking in Agency special allowance and differential processes. Such a section would perform the following:

(a) It would compile from all major existing sources those data necessary for the proper determination of special allowances and differentials. Liaison with the allowance division of the Department of State would be established in order to effectively utilize the raw and finished data available from that source. (Such data generally would be converted by the special allowance section of this Agency because of security considerations). It would be in continuing liaison with Contacts Division, CO, to obtain needed data on non-governmental policies, practices, etc. It would utilize to the maximum extent possible the already existing resources and facilities of other Agency components to obtain necessary data.

(b) It would then provide as a service, upon request, accurate, reliable information on economic and other conditions in applicable foreign locales, and would draw up allowance and differential schedules to fit the special circumstances warranting each.

(c) Because it would accumulate comparative data on many aspects of allowances and differentials it would, in time, be able to provide increasingly expert guidance and assistance in the solution of special allowances and differential problems of all types, and impart a uniformity and continuity now lacking.

(d) As it would become continually more attuned to the peculiar allowance problems faced by this Agency it would be able to develop and recommend standards and practices which balance both the normal Government interest and the abnormal necessities of Agency operations.

(e) In the process of its operation this section would compile information on the special allowances and differentials currently granted and be in a position to evaluate them comparatively and to review them periodically in order to recommend their continuation, adjustment or termination.

7. % An allowance section of the type described could operate effectively through the services of a single competent individual provided with adequate clerical assistance. This individual should have the background to develop special allowance formulae, or modify existing mathematical formulae, to be used in the computation of various allowances from specific economic data; and he should be able to compile and process raw and finished data into a form which would permit its ready use. He should possess the capacities necessary to carry out liaison activities with other agencies and to work with all components of this Agency. He should develop a thorough understanding of the policies, principles and practices governing both special and standardized allowances and be able to develop and recommend standards which may be incorporated into, or modify, present practices.